

CHAPTER 8

CONTRACT QUALITY ASSURANCE

LEARNING OBJECTIVE: Recognize the relationships between the Naval Facilities Engineering Command, Engineering Field Divisions, and the facility contracting offices of Public Works; identify surveillance methods and types of quality assurance inspections used to monitor U.S. Navy contracts with civilian contractors.

The recent trend to contract a large portion of public works functions and construction projects at naval facilities came about because of many factors. A primary factor is manpower restrictions imposed by congressional acts, economics, and requirements for specialized services. Another primary factor is to provide access to state-of-the art processes and technologies for the Navy shore support facilities.

This chapter introduces general development procedures of facilities support contract specifications and the different contracting authorities used for facility support contracts. This chapter also introduces the quality assurance methods currently in use for surveillance and inspection of a contractor's work performance. The intent is to familiarize Seabee first class and chief petty officers with the operations and administrative requirements of a facility support contract office and NAVFAC facility support contract procedures.

CONTRACT ADMINISTRATION

An overview of the important functions will prove helpful for the proper administration of a construction contract. Normally, the public works officer (PWO) receives orders to a local engineering field division (EFD). His additional duties will include duty as officer in charge of contracts (OIC).

The OIC will appoint a resident OIC (ROIC). The ROIC will appoint an inspector (QAE) when scheduling a contract for advertising. They will be responsible for the day-to-day administration of the contract. Before the award of a contract, the ROIC and QAE inspectors should conduct a thorough review of all plans and specifications. They should make a visit to the contract site to verify existing conditions and identify potential problems. This process will help reduce the number of problems discovered once the contractor starts work.

Discovering and resolving potential problems eliminates the need for a future change order. Forward recommended changes to the OIC for incorporation into the plans and specifications.

After the award of a contract, the OIC holds a prestart or preconstruction conference when practical with both contractor and government representatives. This provides the contractor an opportunity to become acquainted with the many-required administrative procedures that the government uses. Some contractors are unfamiliar with these methods and the sometimes unique language used by the Navy. The conference also aids in coordinating the contractor's plans with the using activity and other interested parties, such as environmental protection and safety personnel.

Throughout the life span of a contract, document all significant actions in writing at the time they occur. This takes the form of memorandums for the record, letters to the contractor, phone conversation records, or other types of written documents. The preparation of proper and timely correspondence improves the administration of a contract. This includes letters to the contractor on the following:

1. Payment schedules.
2. Progress charts.
3. Explanations of procedures for submission of shop drawings.
4. Instructions for ordering materials under the Defense Priority Materials System.
5. Common letters to or from the contractor need to proceed efficiently. These letters also help the contractor understand the Navy contract system.

The ROIC should monitor the status of replies to the contractor-originated questions, requests, and statements. To accomplish this, stamp all incoming correspondence with the date and time of receipt.

Maintain a log of all correspondence that requires action.

As contract work proceeds, monitor and properly document significant information, such as the contractor's progress, problems experienced, and pending changes. The inspector's daily report is particularly valuable for this purpose. These reports form the historical basis of the position of the government if a dispute develops between the government and the contractor. Therefore, frequent visits to the contractor site and job status meetings are essential.

Besides constantly reviewing the progress of a contract, you must make a constant effort to foresee problems the contractor might meet. One problem that has major influence on the contractor's progress is late delivery of materials and equipment, such as air-handling units or subcontractor prefabricated items. Furnishing its resources and expertise to help the contractor serves the best interest of the government. You must make every effort to relieve this kind of problem instead of trying to justify or explain it.

Many contract specifications are drawn up years ahead of the actual letting of a contract. Some items required by the specifications will no longer be available and require replacement by similar items. This change requires initiating a change order. Change orders are formal changes to a basic contract and must meet with NAVFAC instructions and result from one or more of the following changes:

- Design
- Requirements
- Conditions
- Constructive

Government representatives must ensure change orders do not needlessly delay the contractor's progress. Additionally, they must assure all change orders get promptly started, negotiated, and issued to the contractor. Any delay in progress by a contractor attributed to a change order must be of immediate concern to the government representatives. Take all possible actions to prevent delays that could result from change orders.

Upon completion of a contract, both contractor and government representatives conduct a joint final

inspection. Document all discrepancies found during the final inspection. Meeting contract specifications requires correction of these discrepancies. Upon the contractor's completion of all contract requirements, the contractor executes release forms and submits the final invoice to the OIC.

The NAVFAC P-68, Contracting Manual, guides the administration of contracts and is the primary guide for all Navy representatives of the government on contracts.

NAVAL FACILITIES ENGINEERING COMMAND

In the administration of contracts, the organizational chain of authority must be understood. NAVFAC is the primary contracting authority for all construction contracts, facility support contracts, and A/E contracts related to construction. NAVFAC is also responsible for providing technical and managerial assistance. It also provides related engineering material and equipment to Navy and Marine Corps shore facilities. NAVFAC is also responsible for all automotive, weight-handling (not material-handling equipment), and fire-fighting equipment assigned to the shore facilities of the Navy and Marine Corps. For a review of NAVFAC responsibilities, read NAVFAC P-315.

Major Claimants

Major claimants, such as CINCPACFLT and CINCUSNAVEUR, have the responsibility for the readiness of all their respective shore facilities. This includes the operations, maintenance, and repair of these facilities. NAVFAC is one of several system commands that provide logistical support to these claimants. NAVFAC provides support by assisting with the operation and maintenance of these facilities.

Engineering Field Divisions

NAVFAC presently has five field divisions as its primary field organization. Officers in command of the engineering field divisions (EFDs) are delegated contractual authority to award most NAVFAC contracts without prior approval. The head of the contracts department is responsible for all contract functions except those involving utilities and real estate purchasing. Within the facilities management department, the facilities division has principal interest in facilities maintenance management. This division

acts as a focal point for the public works activities in the EFD's geographical area of responsibility.

The EFD procurement organization takes many forms, depending upon contract work load requirements, such as dollar volume, physical location, and type of work. The EFD can delegate contractual authority to local Civil Engineer Corps officers to act as either procuring contracts officer (PCO) or administrative contracts officer (ACO). As the PCO/ACO, they are responsible for the review and distribution of bid packages. They are also responsible for the receipt and evaluation of bids, awarding contracts, making payments, and resolving matters of contractual interpretation.

COGNIZANT AUTHORITY

Regarding contracting, there are several duties required that have specific authority. The execution of these duties requires specific skills and knowledge. Assign individuals who have the proper technical knowledge and background to these duties. Some cases require assignment of multiple responsibilities and duties. This assignment depends on the size of the activity and its involvement with contracts.

Officer in Charge

The commander, NAVFAC, delegates contract authority to the officer in charge (OIC). The OIC is responsible for all aspects of the contracting office including administration, management, training, and surveillance. This should be done according to Defense Federal Acquisition Regulations (DFARs), the Contracting Manual (NAVFAC P-68), and other pertinent regulations. The OIC is responsible for preparation of the final contract documents and conducts the solicitation and evaluation of bids.

Resident Officer in Charge

The OIC appoints the resident officer in charge (ROIC) who is normally responsible for the post-award management of a contract. As ROIC, he or she will usually arrange for the pre-award conference, certify contractor payments, prepare show cause notices, and monitor the complete performance of contracts assigned to him or her.

Facilities Support Contract Manager

The facilities support contract manager (FSCM) is responsible for the day-to-day management of a

facilities support contract. The ROIC will appoint the FSCM when the contract is a construction, maintenance, or repair contract. His or her primary duty is to make the contract run smoothly. Before the award of a contract, the FSCM or ROIC is responsible for helping the OIC with the preparation of certain documents. Some of those documents are the statement of work government estimate, and the QA surveillance plan. After the award, the FSCM is the contractor's point of contact. The FSCM processes change orders. He or she also coordinates work orders with the ROIC.

The FSCM or ROIC has technical control and supervisory responsibility over the Quality Assurance Program. This program provides the best information on a contractor's performance because of the close daily contact with a contractor.

Quality Assurance Evaluator

The quality assurance evaluator (QAE) is responsible for monitoring the contractor's performance. The QAE works under the direction of the FSCM but is from the part of the organization that has functional responsibility and technical expertise. QAEs are responsible to the customer for ensuring that work meets the needs of the customer as outlined in the performance work statement (PWS). The FSCMs are responsible for confirming that the accomplished work meets the contract requirements. The QAEs are responsible for preparing the quality assurance (QA) plans. They are also responsible for the surveillance, documentation, and evaluation of the work performed. QAEs do not administer contracts but assist the facilities support contract manager through the verification and documentation stage of the contractor's performance.

Accomplishment of the QAE's functions requires in-depth knowledge of the functions evaluated. The QAE must have a detailed knowledge of the contract specification involved and general knowledge of contract administration procedures. Expect QAEs to have, at least, a detailed knowledge of the contract specification involved on assignment. QAEs will gain general knowledge of contract administration from the contract manager.

TYPES OF CONTRACTS

Currently, there are two contracting authorities used by the Navy for facility support contracts. They are NAVSUP and NAVFAC. For clarity, the different contracting authorities are discussed.

Facilities Support Contracts

Facilities support contracts, as defined in the Defense Federal Acquisition Regulations Supplement (DFARS), call directly for a contractor's time and effort instead of a specific product. There are three agencies providing facility support contracts to the Navy. The agencies are GSA, NAVSUP, and NAVFAC. NAVFAC is the principal agency for providing facility support. The Contracting Manual, NAVFAC P-68, provides a detailed discussion of facilities support contracts and contract procedures.

NAVSUP Contracts

The Naval Supply Systems Command (NAVSUP) is the Navy's principal agent for procurement of supplies. Services obtained under NAVSUP's contracting authority normally support the command's mission.

NAVFAC Contracts

NAVFAC is the Navy's principal agent for the procurement of services that support public works and public utilities functions. Classification of NAVFAC facility support contracts is in one of three ways.

The Davis-Bacon Act defines facility support construction contracts (FSCC). The Davis-Bacon Act also specifies regulations and wage requirements for this type of construction when the cost exceeds \$2,000. Construction for facility support is defined as "construction, alterations, and/or repair, including painting and decorating of public buildings or public works." The Department of Labor is responsible for enforcement of the Act. Therefore, the Navy Department does not have final authority to decide whether a contract involves construction as defined by the Act. You would write FSCCs in the Construction Specification format (CSI). This format should be familiar, as it is the format used to write specifications for projects. It contains the same 16 divisions plus one additional division. That is Division O, called "Bidding and Contract Requirements." The contract will include the Standard Construction Contract Clauses prescribed by NAVFAC. It also will include all the items listed in the P-68, subpart 14.2, "Solicitation of Bids." Some of those requirements are bond forms, instructions to bidders, labor provisions, wage rates, certifications required, and any special material important to the contract, such as soils studies. Some examples of construction contracts are as follows:

- Exterior and interior painting of buildings
- Resealing of joints in concrete pavement
- Dredging to a specific depth
- Seal coating asphaltic pavement

Facility support service contracts (FSS) call for a contractor's time and effort and provide a service instead of a product. The provisions of the Service Act of 1965, as amended, apply to these contracts. Contracts exceeding \$2,500 include provisions of the Service Act of 1965. When the Service Contract Act exclusively governs the wage rate, this requires the use of the uniform contract format (UCF) to write the contract. The FAR of subparts 14.2 and 15.4 contain the UCF. The UCF consists of four parts and 13 sections as listed below. The names of some sections might differ. The depends on whether the solicitation of the contract is by sealed bid or competitive negotiation.

PART I - THE SCHEDULE

Section A Solicitation/Contract Form

Section B Supplies or Services and Prices/Costs

Section C Description/Specifications/Work Statement

Section D Packing and Marking

Section E Inspection and Acceptance

Section F Deliveries and Performance

Section G Contract Administration Data

Section H Special Contract Requirements

PART II - CONTRACT CLAUSES

Section I Contract Clauses

PART III- LIST OF DOCUMENTS, EXHIBITS, AND OTHER ATTACHMENTS

Section J List of Documents, Exhibits, and Other Attachments

PART IV - REPRESENTATIONS AND INSTRUCTIONS

Section K Representatives, Certificates, and Other Statements of Bidders

Section L Instructions, Conditions, and Notices to the Bidders

Section M Evaluation Factors for Award

Some examples of facilities support contracts are as follows:

- Custodial services
- Grounds maintenance
- Guard services
- Transportation operation and maintenance

The third type of contract involves both procurement of services and construction work. This type of contract is a facility support combination contract (FSC/COMBO). An example of this contract is maintenance and repair of HVAC systems. Preventive maintenance is service work, and the repair of a system is construction. The Service Contract Act would apply to the service work. Depending on the description of the work, the Service Contract Act or the Davis-Bacon Act could apply to the construction effort. Should the construction cost be less than \$2,000, the Service Contract Act would regulate the wage rate for the contract. Preparation of combination contracts is in the UCF. Housing maintenance contracts are an excellent example of a combination contract.

QUALITY ASSURANCE PROGRAM

When the government purchases goods and services, methods assuring that the contractor provided requirements of the contract must be in place. Naval shore activities must develop and set up procedures to assure that the quality and quantity of goods and services conform to contract requirements to accomplish this. These procedures come under the heading of "quality assurance." Quality assurance differs from quality control, in that, you focus on the quality of the product delivered and not the steps taken to get there. Contractors are responsible for providing quality control that controls the production process. Quality control must also ensure a constant quality output.

Base the Quality Assurance (QA) Program on a written plan and key it to performance-oriented specifications. The QA program focuses on the quality of the product delivered by the contractor, not on the steps taken or contractor procedures that provide the product. This plan also includes the use of scheduled inspections and provides a structural approach to

surveillance. This permits good management control of the quality assurance process.

For an effective QA program, you must meet certain criteria. First, write the performance work statement (PWS) so the quantity and quality of the contracted work is measurable. View the development of the PWS and the quality assurance plan as a simultaneous process since both documents interrelate. The PWS defines required work outputs and quality standards, while the QA plan defines inspection and measurement methods for work production.

Next, the QA plan must provide for adequate and economical contract surveillance. Provide the depth and detail of surveillance compared with the importance of the contract being monitored. Surveillance on a trash pickup service would not require the same depth of surveillance as a new water-service line contract. Also the QA plan must have the authority written into it, so the FSCM/ROIC can take corrective action for nonperformance or unsatisfactory performance.

There are three basic principles that the QAE must follow when performing surveillance. It does not matter whether it is a facilities support contract or a construction contract.

Product. Quality assurance evaluates the product provided by the contractor. The product results either from a contractor-developed procedure or from a government-specified procedure. Satisfactory production normally confirms that the contractor is using satisfactory procedures. The government concern arises with the contractor procedures only when output or services are inadequate. When the government specifies the procedure, compliance with the procedure is the desired product.

Compliance. Monitor contractor compliance with contract requirements through the performance indicators and standards specified in the PWS. Performance indicators are measurable attributes of the outputs. Compare the contractor's performance against a standard gauge. For example, on a trash pickup service contract, scheduled trash collection is the work required. Timeliness is a good indicator of performance and the standard is trash pickup must be within 4 hours of the scheduled time.

Cause of the problem. When observed performance indicators show production does not meet contract requirements, then the QAE identifies the cause of the problem. The QAE looks beyond production to learn the cause of the problem. If the cause of the problem rests with the government, take

corrective action through government channels and no action is necessary by the contractor. If the contractor is at fault, the QAE requests the contractor to take corrective action. Corrective action could be a reduction of payments to the contractor and/or issuance of a Contract Discrepancy Report (CDR).

SURVEILLANCE METHODS

Although the business and industrial community use many surveillance methods, the Navy currently uses the five specific inspection methods shown below.

- 100-percent inspection
- Planned sampling
- Random sampling
- Validated complaint
- Incidental or unscheduled inspection

One hundred-percent inspection of a contract measures a contractor's true level of performance. This method is extremely expensive and time-consuming. This type of surveillance requires an evaluation of the contractor's production for every work occurrence; therefore, use the 100-percent method only when necessary. A good example of this type of surveillance is checking police and ambulance response time or checking the daily cleaning of key public rooms.

Surveillance by planned sampling evaluates a part but not all of a contract requirement. This method of surveillance is useful when inspection requirements at one location are more important than another location. For instance, inspect galley garbage containers as opposed to remote admin spaces. This type of sampling is also useful when a contractor's performance is not good in a particular area of construction but is highly proficient in another. Ensure the contractor is aware of specific areas in which the QAE will place major emphasis within the surveillance process. For example, the grounds around the COS office and the exchange are always well kept. However, the perimeter roads on the back side of the runway often show signs of poor maintenance. The runway areas have little traffic so they will require more inspections.

Surveillance, based on random sampling, evaluates part, but not all, of the work performed by a contractor. The QAE can monitor any work using random

sampling. The QAE's bias does not affect the specific work selected for evaluation. All elements of work have the same level of importance.

This method estimates the contractor's general level of performance for a given contract requirement. It is most useful when evaluating items that are repetitive nature, such as janitorial work, grounds maintenance, or service call work.

Validated customer complaints are a surveillance method based on customer awareness. Customers, familiar with contract requirements, inform the QAE when there is a case of poor performance or nonperformance. Upon notification, the QAE investigates the report and, if valid, documents the performance problem. Formal customer complaints serve for documenting certain types of service problems. The way to obtain and document customer complaints requires careful planning by the people monitoring the facilities support contract. Customer complaints are not random. When validated by the QAE, they can be used to deduct money from the contractor. When random sampling is the chosen method of surveillance, use of a customer complaint does not satisfy a random observance. Use of random sampling as evidence of unsatisfactory performance is possible if random sampling shows that the specific service is unsatisfactory. Use of these complaints can help decide whether other action should be taken.

Explain an aggressive customer complaint program, once established, to every organization that receives the contractor's services. Provide an operating instruction to each organization outlining the customer complaint program. Also, provide the format and the content of a formal customer complaint and the action required from people assigned to monitor and manage the FSC. Normally, deliver each customer complaint, in person or by telephone, to the individual checking the contractor's performance. Enter complaint information into a Customer Complaint Record, like the sample shown in figure 8-1. The record contains the following information:

- Date and time of complaint
- Source of complaint (organization or individual)
- Details of complaint (narrative description)
- Contract reference of complaint-related services

NAVFAC 4330/47 (8-88)		1 CONTRACT NUMBER
CUSTOMER COMPLAINT RECORD		
2 FIRST INFORMED OF COMPLAINT		
DATE	TIME	RECEIVED BY
3 SOURCE OF COMPLAINT		
ORGANIZATION		
INDIVIDUAL:		PHONE:
4 DETAILS OF COMPLAINT (Attach continuation sheet if necessary)		
5 CONTRACT REFERENCE		
6 COMPLAINT VALIDATED		
DATE	TIME	BY
7 CONTRACTOR INFORMED OF COMPLAINT		
DATE	TIME	BY
8 ACTION PLANNED/TAKEN BY CONTRACTOR		
9 WORK INSPECTED/REINSPECTED		
DATE	TIME	BY
10 RESULTS OF INSPECTION (satisfactory, unsatisfactory, actions)		
11 SIGNATURE OF AUTHORIZED INDIVIDUAL		12 DATE
13 SIGNATURE OF REVIEWING OFFICIAL (As Applicable)		14 DATE

86NP0001

Figure 8-1.—Customer Complaint Form NAVFAC Form 4330/47.

- Valid complaint (yes or no)
- Date contractor is informed of complaint
- Action taken/planned by contractor

- Validation and results of the reinspection

When selecting validated customer complaints as the primary method of surveillance for a particular contract requirement, you must allot ample time for the validation process.

The QAE should conduct an incidental or unscheduled inspection on a contractor's work. This surveillance method is not an accurate way to decide a contractor's complete performance and should not be the primary means for evaluating the contract. This method is useful in finding out if a contractor is having difficulties. The method is also useful to help in predicting or validating any future problem that was possibly overlooked during the scheduled OIC meetings. An example of this type of problem is material deliveries or schedule problems.

SURVEILLANCE PROCESSES

The key to obtaining satisfactory performance from contractors is good government surveillance of a contractor's performance. Haphazard surveillance by untrained personnel is an invitation to poor performance. Historically, some work is more prone to poor quality, such as concrete, heating, and air conditioning, or similar work, that is usually hidden from view. Most government contractors are honest and do not cut corners, but the few who do require monitoring and correcting deficiencies immediately. The QAE is the primary frontline person in contract management and serves as the eyes and ears of the contract manager and the OIC.

The two most important requirements that a QAE must have, to do a good job, are the contract requirements and the contractor's work schedule. The first requirement dictates exactly what work the contractor is to do. It also dictates what the QAE is to evaluate. The work schedule is necessary so the QAE will know precisely when the work is occurring. Obtain this information before the contractor begins any work. Also, the contract manager and QAE can include any modifications to the QA plan and schedule since development was before the awarding of the contract.

After development of QA plans and schedules, normally they remain unaltered for the life of the contract. Conduct contract surveillance strictly according to the QA plan and schedule. Note any contractor discrepancies. The QAE must fully document them and alert the contract manager. The QAE or contract manager will notify the contractor to correct the discrepancies.

At the end of each surveillance period (usually 1 month each), analyze all documented surveillance results to decide the contractor's complete level of performance. There are several courses of action available if the contractor's performance is below

acceptable standards. These courses of action are as follows:

1. Making monetary deductions against the contractor for all observed and documented cases of noncompliance. This can be done despite the contractor's overall performance.
2. Issuing a verbal or written warning to the contractor.
3. Issuing a contract discrepancy report (CDR).
4. Issuance of a show cause letter.

The OIC may take one of the above actions. However, "termination by default" must be coordinated with the commander of the engineering field division. It is important that the QAE provides and maintains good documentation despite the course of action taken to correct poor contract performance.

SCHEDULE DEVELOPMENT

The development of an effective evaluation schedule should be of the highest priority to the QAE. The evaluation schedule permits the QAE to plot where he or she should be on any given day of the week. By developing a balanced inspection schedule, the QAE can plan and execute the QA work load. This enables the QAE to make the most efficient use of available time. The surveillance schedule serves the following purposes:

1. It optimizes time.
2. It provides for management control.
3. Combining the schedule with evaluation reports provides an accurate audit.

Contract surveillance must cover all hours of operation. Schedule random observations at night, on weekends, and on holidays when services are done during these periods. Monitor areas on a set schedule including these in the monthly schedule. This monthly schedule will always show where and what the QAE is monitoring.

Figure 8-2 shows an example of a QAE's schedule. This example shows only a 6-day schedule. The QAE makes up enough sheets to cover the entire month. After preparing the schedule, mark it "FOR OFFICIAL USE ONLY" and **never** show it to the contractor.

QAE SURVEILLANCE SCHEDULE. (Sample)						
QAE: JANE DOE SCHEDULE FOR WEEK OF: JUNE 19 THRU 25 1994						
TIME	MON	TUE	WED	THU	FRI	SAT
0700	INSPECT GROUNDS PARCEL #7, #108, #156	INSPECT GROUNDS PARCEL #4, #13, #201	REVISE AND UPDATE QA PLANS	INSPECT DUMPSTERS #5, #34, #168, #183	INSPECT BUILDINGS ROOMS #3, #20, #31	
0800	INSPECT DUMPSTER #5, #28, #76	MEET WITH FSCM AND CONTRACT OFFICER TO DISCUSS CONTRACT MODS.	INSPECT DUMPSTER #2, #23, #80, #140, #153, #176, #210, #225, #287	INSPECT BLDG. RMS, #14, #18, #88, #170	INSPECT DUMPSTERS #23, #78, #96, #183, #197, #218	
0900	INSPECT GROUNDS CONTRACT QC FILES			INSPECT WASH RACK	REVIEW NEW SOLICIT. FOR GROUNDS MAINTEN.	
1000						
1100				INSPECT SERVICE CALLS		
1200	LUNCH	LUNCH	LUNCH	LUNCH	LUNCH	
1300	INSPECT BUILDINGS ROOMS #4, #17, #23, #186, #249	INSPECT DUMPSTERS #21, #94, #97, #167, #193, #236, #256	INSPECT GROUNDS PARCEL #23, #45, #106, #110, #158, #193	INSPECT GROUNDS PARCEL #27, #76, #187, #234, #278, #318	INSPECT GROUNDS PARCEL #29, #86, #193, #245, #307	
1400						
1500			INSPECT BUILDINGS ROOMS #87, #98, #143, #213.	INSPECT BUILDINGS ROOMS #56, #78, #93, #110, 135, 153, #215	MEET FSCM TO DISCUSS CONTRACT PERFORMANCE EVALUATION	DEVELOP QA PLAN FOR NEW REFUSE COLLECTION SOLIC.
1600	PAPER WORK IN OFFICE					
1700						

86NP0007

86NP0002

Figure 8-2.—Sample QAE Surveillance Schedule.

Documentation

Documentation is a key element of the QAE's job. Some documentation requirements are the QAE's monthly schedule, the completed evaluation worksheets, and the records of customer complaints.

Also useful is any other material that reflects the quality/quantity of the contractor's performance.

Surveillance shows that the number of defects for the scheduled month is excessive. The QAE should try to identify and document the cause of the problem.

Some probable causes of defective contractor production may be due to any of the following:

1. The cause of the problem lies with the government if

- Delivery of government-provided materials or equipment is deficient.

- Government employees (civilian or military) are disrupting the contractor's efforts.

- Subcontractor support is not effective (if contracted by the government).

2. The cause of the problem lies with the contractor if:

- The contractor does not have enough people on the work site.

- There are not enough properly trained people on the work site.

- Supervision by the contractors inadequate.

- The contractor's quality control staff is not identifying problem areas.

- The contractor is not using the proper materials or equipment to accomplish the job.

- The contractor is not using the proper work methods to produce the required product.

During the contract, the QAE retains a copy of all QAE schedules, evaluation worksheets, and checklists. At the end of the contract period, the QAE forwards these records for inclusion in the contract file. A specific service becomes unsatisfactory during a surveillance period. You should forward a copy of the inspection documentation supporting the contract discrepancy to the contract manager and the ROIC for action. You must keep the contractor apprised of surveillance results involving discrepancies. One method is to provide the contractor's representative with a copy of the evaluation worksheet. The contractor's representative should initial the original evaluation worksheet, showing that he or she has received a copy.

Surveillance Results and Discrepancies

At the end of each month, the QAE should assess the results for the evaluation worksheets, checklists, and other documents to figure out the contractor's complete performance. If the contractor has performed excellently with few defects noted, the QAE may suggest that the contract manager inform the contractor of satisfactory performance. The QAE may recommend a reduced level of surveillance.

Poor performance by a contractor requires much more, particularly in documentation and QAE effort. If a contractor has displayed poor performance, take the following actions:

1. The QAE learns that the government created any of the discrepancies. These discrepancies should not count against the contractor's performance. When the government has caused the contractor to perform deficiently, the QAE prepares a letter to the responsible organization requesting corrective action. The QAE sends the letter to the responsible organization through the contract manager.

2. The government did not cause the discrepancy. The QAE tells the contractor's site manager, in person, when the discrepancies occurred and asks the contractor to correct the problem. The QAE notes on the evaluation worksheet the date and time of the deficiency. The QAE has a contractor's representative initial the entry on the worksheet.

3. When the contractor is responsible for failing to meet the limits of satisfactory performance, the contracting officer issues a Contract Discrepancy Report (CDR) to the contractor. If the failure is serious enough, issue the CDR at the time of unacceptable performance instead of at the end of the month.

4. If the contractor does not achieve satisfactory performance of that service by the end of the next month, the contracting officer then calls in the contractor for a personal review of the problems at a formal meeting.

5. Depending on the contractor's complete performance, the government may issue a show cause letter that requires EFD approval.

6. Deduct funds for all documented defects. The QAE checks the contractor's performance and documents instances of noncompliance. However, only the OIC can take formal action against the contractor for unsatisfactory performance. This section presents the normal steps required by contract

administration when the QAE reports these deficiencies. The actions listed are fixed roles and represent a minimum level of action. Take more serious action sooner if the contract manager, ROIC, or OIC deems it needed.

DEDUCTIONS.— NAVFAC policy requires deductions for each observed and documented defect. Use the extrapolated deductions based on the random sampling method for deduction only after adjusting the observed defect rate.

The QAE makes a recommendation on the amount of payment deductions required. Base this deduction on documented deficiencies multiplied by the price shown in the “Schedule of Deductions,” or in the “Items of Bid” for indefinite quantity work items. The “Consequences of Contractor’s Failure to Perform” clause shows the amount of the liquidated damages.

When the contractor’s performance is considered unsatisfactory and suggests a need for formal action, the QAE, the contract manager, the ROIC, and the contract specialist meet to decide what action is suitable.

When a decision is reached that a monetary deduction is not required, then document the reasons. The ROIC, in turn, shows agreement by signing the decision documentation.

CONTRACT DISCREPANCY REPORT.— Write contract discrepancy reports (CDRs) to identify documented cases of poor performance by a contractor. The contractor, upon receiving a CDR, identifies, in

writing, preventive measures for future occurrences of the problem. He or she also identifies the corrective action he or she intends to take on the current discrepancies. Based on the contractor’s response, the government may or may not take further action.

When there are continuing deficiencies in the contractor performance, the QAE should recommend issuance of a CDR, NAVFAC 4330/48 (fig. 8-3), by the contract manager.

As QAE you are responsible for identifying the problem that caused the poor performance. The QAE should use this information to evaluate the contractor’s response. It is the contractor’s responsibility to have a Quality Control Program to provide feedback on performance.

If the contractor’s response is likely to correct the problem, the QAE could recommend to the FSCM that further government action is not required except for an increased level of surveillance. If the response will not likely to correct the problem, the QAE should identify the shortfall. He or she also should recommend further action required by the government.

Remember, when assigned to a public works field division or any quality control job, diligence, perseverance, and knowledge of the job are important. This chapter has provided some basic information that you need to perform effectively as a QAE. Many different systems exist at various locations. You should take the time to learn the system before starting your new QAE job if assigned to one of these billets.

NAVFAC 4330/48 (9-89)		1. CONTRACT NUMBER	
CONTRACT DISCREPANCY REPORT			
GOVERNMENT ACTION			
2. TO (Company and Manager name)		3. FROM (name of Government Representative.)	
4. DISCREPANCY OR PROBLEM (Describe in detail. Include reference or specification. Attach continuation sheet if necessary.)			
5. CONTRACTOR NOTIFIED (Date, Time, Contact point)			
6. SIGNATURE OF CONTRACTING OFFICER		7. DATE	
CONTRACTING ACTION			
8. TO (Contracting Officer)		9. FROM (Contractor)	
10. Contractor response as to cause, corrective action and actions to prevent reoccurrence (Attach continuation sheets if necessary)			
11. SIGNATURE OF CONTRACTOR REPRESENTATIVE		12. DATE	
GOVERNMENT CLOSE OUT			
13. GOVERNMENT EVALUATIONS (Acceptance, partial acceptance, rejection, attach continuation sheet if necessary)			
14. GOVERNMENT ACTIONS (Payment deduction, cure notice, show cause, other.)			
15. SIGNATURE OF CONTRACTING OFFICER		16. DATE	
17. SIGNATURE OF REVIEWING OFFICIAL (As Applicable)		18. DATE	

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Figure 8-3.—Contract Discrepancy Report, NAVFAC Form 4330/48.